

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

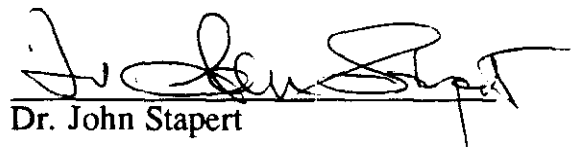
RESPONSES OF COALITION OF RELIGIOUS PRESS ASSOCIATIONS  
WITNESS STAPERT TO INTERROGATORIES OF THE  
UNITED STATES POSTAL SERVICE  
(USPS/CRPA-T1—1-3)

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Dr. John Stapert

January 21, 1998

RESPONSES OF COALITION OF RELIGIOUS PRESS ASSOCIATIONS  
WITNESS STAPERT TO INTERROGATORIES OF THE  
UNITED STATES POSTAL SERVICE  
(USPS/CRPA-T1—1-3)

USPS/CRPA-T1-1

Please refer to page 10, line 12 where you quote PMG Runyon's statement that "over the past three years `we have improved the equity of the Postal Service by \$4.7 billion'". Also refer to the financial statements in the 1997 Annual Report of the United States Postal Service, a copy of which is attached.

- (a) Confirm that despite recent improvements, the level of the Postal Service's equity (net capital deficiency) remained negative as of the end of FY 1997 at a minus \$1.4 billion. If you do not confirm please explain you (sic) answer.
- (b) Please provide your understanding of negative equity.

Response:

- (a) Confirmed that, according to the financial documents provided with the interrogatory, the Postal Service's recent financial improvements reduced its negative equity (net capital deficiency) to a level of approximately \$1.4 billion at the end of FY 1997.
- (b) My understanding of this negative equity is that the past three years of healthy operational surpluses have nearly eliminated debts that have accumulated over a period of some twenty years.

USPS/CRPA-T1-2

On page 10, line 15 of your testimony you contrast the \$55 million net income that was reflected in the Postal Service's FY 97 plan to the actual FY 97 income of \$1.3 billion. You also state on line 18 that "income had been underestimated, and expenses had been overestimated in every category" and that "Porras also reported that Postal Service revenue is currently growing faster than expenses (3.08% vs. 3.03% per year)." Please also refer to the Testimony of William P. Tayman, Exhibit USPS-T-9A, and the responses of witnesses Tayman and McDonald to DMA/USPS-T9-27.

- (a) Please confirm that the FY 97 net income estimated by the Postal Service in this Docket was \$636 million, not \$55 million. If you do not confirm please explain fully.
- (b) Please confirm that a discussion of the variances from the FY 97 \$636 million net income estimated in this Docket is more relevant to this rate proceeding than to the FY 97 variance from the \$55 million plan. If you do not confirm please explain why?
- (c) Please provide a copy of the source of your statement on page 10 line 19 that "Postal Service revenue is currently growing faster than expenses (3.08% vs. 3.03% per year. Please confirm that as reflected in the 1997 Annual Report of the United States Postal Service, operating expenses grew faster (3.3%) than operating revenue (3.2%). If you do not confirm please explain why?
- (d) Please confirm that as reflected in the 1997 Annual Report of the United States Postal Service, total expenses (\$57.067 billion versus \$54.977 billion) grew by 3.8% and total revenue (\$58.331 billion versus \$56.544 billion) grew by 3.2%. If you do not confirm please explain why?
- (e) Have you analyzed the causes of the difference between the FY 97 estimated net income used in this Docket and actual FY 97 income? If your answer is yes please discuss the major difference and provide the results of your analysis.
- (f) Is it possible that some of the differences between FY 97 actual net income and the estimate used by the Postal Service in this Docket may not carry forward into the test year requirement was developed? (i.e. may not impact test year net income)? If your answer is other than yes, please explain why?
- (f) Please confirm that in their responses to DMA/USPS-T9-27, witnesses Tayman and McDonald identified several significant variances which favorably impacted FY 97 results which will not impact the test year. If you do not confirm please explain your answer fully.

Response:

- (a) True, the FY 97 net income estimated by the Postal Service in this Docket was

\$636 million, which is higher than the Postal Service's FY 97 plan of \$55 million, but which is only about half of the actual, publicly reported outcome of \$1.3 billion.

(b) Both the variance from the FY 97 \$636 million net income estimated in this Docket and the variance from the Postal Service's \$55 million plan may be relevant to this rate proceeding. The absolute value of the net income is relevant as well. In any event, the actual FY 97 outcome of \$1.3 billion net income exceeded both the estimate provided for this proceeding and the Postal Service's plan.

(c) I have no copy of a document to provide. The representation that Postal Service income is growing faster than expenses was based on public statements made orally at the Mailers' Technical Advisory Committee (MTAC) meeting on December 11, 1997, by Richard Porras, Postal Service Vice President-Comptroller. However, the Postal Service indicated at that MTAC meeting that Mr. Porras's overhead transparencies would be attached to the *minutes* of that meeting. When those *minutes* with the transparencies become available I would be happy to provide a copy.

(d) While according to the Statement of Operations provided with the interrogatory total expenses (\$57.067 billion versus \$54,977 billion) grew by 3.8%, I note that operating expenses (\$54.873 billion versus \$53.113 billion) grew by just over 3.3%. A significant contributing element in the Postal Service's total (rather than operating) expenses was \$258 million in POD workers' compensation expense. Unfortunately, the explanatory "Note 3" which might shed light on the nature of this expense was not included with the Statement of Operations provided with the interrogatory.

Total revenue, again according to the Statement of Operations provided with the interrogatory (\$58.331 billion versus \$56.544 billion), grew by 3.2%. This percentage

would be fractionally higher if one attended specifically to operating income (rather than total income).

(e) No.

(f) This subpart of the interrogatory seems garbled. But in principle it seems possible that some of the differences between FY 97 actual net income and the estimate used by the Postal Service in this Docket may not carry forward into the test year requirement.

(g) Let us agree that this second "sub-part (f)" should be identified as sub-part (g).

Confirmed.

USPS/NDMS-T2-3

On page 10, line 21 of your testimony you state that "CRPA is aware that under the Commission's understanding of the statutes, the Postal Service has the exclusive right to determine its revenue requirement". Please state whether this awareness is based on any source other than the Commission's written opinions and recommended decisions.


Response:

I do not understand the alpha-numerical label at the head of this interrogatory, but I recognize the quotation from my testimony, CRPA-T1.

The awareness derives from a general understanding of the Commission's written opinions and recommended decisions, and not from any other source.

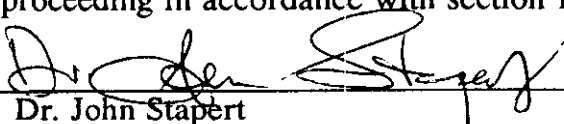
DECLARATION

I declare under penalty of perjury that the foregoing is true and correct. Executed on January 21, 1998.

  
Dr. John Stapert

CERTIFICATE OF SERVICE

I hereby certify that I have this 21st day of January, 1998, served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
Dr. John Stapert